



PUBLIC EMPLOYEE RETIREMENT SYSTEM OF IDAHO
607 North 8th Street
BOISE, IDAHO 83702

SUBMITTED FOR APPROVAL

MINUTES

OF
MEETING OF RETIREMENT BOARD

The Board of the Public Employee Retirement System of Idaho met at the PERSI Administration Building, 607 North Eighth Street in Boise, Idaho at 8:30 a.m , February 22, 2000. The following members were present:

Chairman Jody B. Olson
Susan K. Simmons
Dennis L. Johnson
Pamela I. Ahrens

Trustee J. Kirk Sullivan was absent and excused. Executive Director Alan H. Winkle, Deputy Attorney General Brad Goodsell, Chief Investment Officer Robert Maynard, Financial Officer Jim Monroe and IT Manager Ted Aho, Medical Advisors B. Strouth and Craig Beaver, and Administrative Assistant Joanne C. Ax were also in attendance. Other persons attending portions of the meeting were:

Doug Dorn
Richelle Sugiyama
Drew Black
Brian McGrath
Rod MacKinnon
Bruce Reeder
Brent Nye
Lucinda Smith
Connie Tackett
Gary Schwager
Judy Aitken
Charlie Brown
Roger Seiber

Dorn, Helliesen & Cottle
Dorn, Helliesen & Cottle
D.B. Fitzpatrick & Co.
D.B. Fitzpatrick & Co.
Mountain Pacific Investments
Mountain Pacific Investments
Boise School District
Mellon Trust
Russell Mellon
Russel Mellon
PERSI
REA of Idaho
Capitol West

Jerry Deckard
Bob Hoffman
David Faught

Capitol West
PEBSCO
DFM

EXECUTIVE SESSION:

Chairman Olson noted for the record the necessity to hold an executive session to discuss matters exempt from disclosure as provided in Chapter 3, Title 9, Idaho Code and that Idaho Code §67-2345 (1)(b),(d) and (e) authorized the same. The Board went into executive session at 8:30 a.m.

After discussion of each disability applicant, the Board went back into regular session at 8:36 a.m. By motion duly made by Trustee Johnson and seconded by Trustee Ahrens, the Board unanimously approved the disability applications of Steven J. Hobbs, Mark Johnson, Michael Orban, and Sharon A. Smith with no review; Marilyn Ralls, Lois Sundquist and Catherine Tator with a review in one year.

OTHER BUSINESS:

Chairman Olson noted that Trustee Sullivan was absent and excused and that he was receiving a very prestigious award from Clemson University. Director Winkle added that the award is the highest award given to graduates by that University.

OLD BUSINESS:

Approval of the Minutes: By motion duly made by Trustee Simmons, seconded by Trustee Ahrens and unanimously approved, the Board approved the minutes of the January 20, 2000, regular Board meeting as submitted.

PORTFOLIO

Russell/Mellon Analytical Services Report: Connie Tackett and Gary Schwager discussed the PERSI performance review for the quarter ending December 31, 1999. At the request of the Chairman, Ms. Tackett reviewed the Russell/Mellon merger. The company has completed a financially successful first year. Mr. Schwager reviewed the asset allocation, manager performance and PERSI performance compared to peers. Overall, PERSI performance was excellent for the year ending December 31, 1999. Overall returns were 19.7% for the calendar year, handily beating the fund's composite benchmark by 3.4%. PERSI's peer rankings were in the top 17th percentile compared to other public funds in the TUCS database. Where there was underperformance by some PERSI managers, it was found to be caused by investment styles and benchmarks. PERSI is highly diversified and managers who were not invested in the technology sector during this time period did not reap the huge gains. An example of this is Mountain Pacific whose performance was negative for this period. However, in different markets, they have been high performers.

Trustee Ahrens was excused at 9:15 because of a legislative matter.

Monthly Report: Doug Dorn of Dorn, Helliesen & Cottle reviewed the performance report for the period ended January 31, 2000. The total fund return for the fiscal year-to-date is 7.7%, with a negative 3% return for the month. Mr. Dorn discussed relative fund performance and said the

fund is doing well. How well depends on which database you use for comparison. For the quarter ending December 31, 1999, PERSI was ranked first compared to the Wilshire Cooperative Total Public Fund Universe; measured against the Wilshire Cooperative Total Fund Universe for the same time period, PERSI was ranked 19. All agreed that it has been a good year.

Monthly Portfolio Update: The PERSI Investment Report dated February 19, 2000, showed a total fund return for the month of 1.4% with the total current value of the fund listed as \$6,989,892,214. The fiscal year-to-date return is 9.1%. Further tightening by the Federal Reserve Board now appears to be expected, and markets have been volatile since year end. U.S. equity value styles continue to be out of favor, while the best performing markets are mid- and small-cap growth and emerging markets. PERSI's international exposure continues to drive relative outperformance, both through global managers and international equity managers. Mountain Pacific, Brandes, and Lend Lease are having difficult markets. Zseiger, TCW and Columbus Circle are having spectacular fiscal years.

In response to a question from the Chair, Mr. Maynard said the Russell Mellon Index funds are now shown in a separate account, split into small-cap and mid-cap markets to give us more flexibility. This will be particularly helpful if we add employee DC gain-sharing accounts. Overall, the fund is doing well.

Other Business: Chairman Olson opened the meeting to comments from managers. Brian McGrath discussed the inverted yield curve in the current market. Rod MacKinnon said he hopes interest rates go down because the rising rates have been a major negative factor on their portfolio; their investments are growing and meeting expected targets so he's looking for better performance from their fund.

At the recent JFAC meeting to discuss the PERSI's budget, Chairman Olson and PERSI staff received an unprecedented ovation from the committee members for PERSI's performance and their work providing information for the Legislative Interim Committee on PERSI. The Committee met five times from June 1999 through December 1999 and PERSI provided numerous cost analysis, charts and scenario projections for their discussions and study. The actual budget setting will take place around March 9.

FISCAL:

Fiscal Update: Financial Officer James Monroe reviewed his memorandum dated February 16, 2000 summarizing current fiscal items of interest. PERSI has again received a favorable determination letter from the IRS on the PERSI DB plan. The determination process expresses an opinion on whether the amendments passed by the legislature, in and of themselves, affect the continued qualified status of the PERSI plan under code section 401 and the exempt statutes of the related trust under section 501(a). We file annually for this determination.

The supplemental appropriation for the retiree medical insurance study has been approved by JFAC and will continue through the legislative process. PERSI will prepare an RFP to be issued upon approval. A spreadsheet detailing the current version of the gains-sharing budget was provided showing the additional FY2001 appropriation requested for program implementation. There was some discussion of the gains-sharing program and administration costs. Mr. Monroe told the Board that the combined administrative costs of the DB and DC plans will still be within the 50 basis point goal

Monthly Expense Reports : Mr. Monroe reviewed the Administrative and Portfolio monthly expense reports which had previously been furnished to the Board. Trustee Simmons asked about the encumbrances shown for the Galena process. Mr. Monroe explained the project cost approval and payment process and said we are not holding up approved payments to Watson Wyatt.

Quarterly Financial Report and Semi-Annual Sick Leave Financial Report: Senior Accountant Rhonda Yadon briefly reviewed the reports which had been furnished earlier to the Board. Chief Investment Officer Robert Maynard commended Ms. Yadon and Mr. Monroe saying they have done a tremendous job in the past six months as the risk controls have been set up. If a discrepancy occurs, they immediately contact the back office and make sure the trade is covered, they check the Mellon statements to ensure they are correct. Right now only one-third of a position is charged to the portfolio budget and Mr. Maynard said we have one of the best risk control procedures in the nation. He thanked Ms. Yadon and Mr. Monroe for their work.

EXECUTIVE DIRECTOR

Technology Study Report: Mr. Winkle introduced Bruce Becker of KPMG, the firm doing the study regarding data cleanup and technology. Mr. Becker reviewed the scope of the project saying he is nearly complete with the data gathering process. Imaging and voice-response specialists have been brought in to assist in the study. He said PERSI is currently doing an excellent job of handling retiree benefits and providing good customer service to the members. Mr. Becker will attend a future Board meeting to discuss KPMG's final report.

New Employer Unit: By motion duly made by Trustee Johnson seconded by Trustee Simmons and unanimously approved, the Board welcomed the City of Hayden Lake as a new employer unit of PERSI effective March 1, 2000; The Lincoln County Housing Authority with an effective date of February 1, 2000; and the Nez Perce County Fair Board with an effective date of March 1, 2000. There is no entry cost for them to join PERSI.

Status Report: Mr. Winkle reviewed his report dated February 16, 2000, which included an update of the Galena Project. The report listed upcoming projects, some which are dependent upon current legislation.

Legislative Status Report: Mr. Winkle had provided the status of bills pertaining to PERSI in a memorandum dated February 21, 2000. He reviewed the memo, saying a broader purchase of service bill is being discussed which would be easier to administer because vested members could purchase up to 4 years of time –without concern as to what the time is for.

Chairman Olson said he has received many calls from our participants since the letter regarding the gains sharing and 2% multiplier was distributed. Retirees have challenges and it has been rewarding to talk with them. The Chairman praised Kirk Sullivan's work with the legislative committee and said the staff has provided the expertise needed by the legislators on these issues.

FUTURE BOARD MEETINGS

Tuesday, March 21, 2000, 8:30 a.m., Boise - PERSI office

Tuesday, April 25, 2000, 8:30 a.m., Boise – PERSI office

Tuesday, May 23, 2000, 8:30 a.m., Boise – PERSI office

Adjournment: There being no further business to conduct, by motion duly made by Trustee Simmons, seconded by Trustee Johnson and unanimously approved, the meeting was adjourned at 10:35 a.m.

Jody B. Olson
Chairman

Alan H. Winkle
Executive Director